

**U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RECORD OF DECISION
NARO SOUTH FEDERAL COAL LEASE APPLICATION
WYW154001
CAMPBELL & CONVERSE COUNTIES, WYOMING**

INTRODUCTION

Powder River Coal Company filed an application with the Bureau of Land Management (BLM) to lease two tracts of Federal coal as maintenance tracts for the North Antelope/Rochelle Complex on March 10, 2000. The two tracts are referred to as the NARO North and NARO South Lease By Application (LBA) Tracts. A maintenance tract is a tract of Federal coal that is adjacent to and can be mined by an existing coal mine. Powder River Coal Company, a subsidiary of the Peabody Holding Company, Inc., operates the North Antelope/Rochelle Complex, which is adjacent to the NARO North and NARO South LBA Tracts. In 2003, the North Antelope/Rochelle Complex was renamed the North Antelope Rochelle Mine. For the purposes of consistency with the *South Powder River Basin Coal Environmental Impact Statement* (EIS), the mine is referred to as the North Antelope/Rochelle Complex in this Record of Decision.

BLM determined that the two tracts included in the application would be processed separately, that a separate decision would be made to hold a lease sale for each tract, and that they would be offered for sale separately. This Record of Decision is for the NARO South LBA Tract only. This tract as applied for included approximately 2,133.65 acres with an estimated 241 million tons of in-place Federal coal reserves in Campbell and Converse Counties, Wyoming. The surface of the land included in the NARO South LBA tract is privately owned as indicated in Figure 3-11 in the *South Powder River Basin Coal EIS*. The tract was applied for under the Code of Federal Regulations (CFR) at 43 CFR 3425.

BACKGROUND

The Lease By Application Process

Powder River Coal Company has a permit approved by the Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) and a Mineral Leasing Act (MLA) mining plan approved by the Secretary of the Interior to conduct surface coal mining operations on their existing North Antelope/Rochelle Complex leases. The mine also has an air quality permit approved by the Wyoming Department of Environmental Quality, Air Quality Division (WDEQ/AQD) for two alternative mining scenarios. Under scenario one, a maximum of 105 million tons of coal per year would be mined during the years 2004-2006. Under scenario two, up to 84 millions tons of coal per year would be mined during the years 2002-2007.

Under the LBA process, maintenance tracts are nominated for leasing by companies with adjacent existing mines. Powder River Coal Company previously applied for Federal coal adjacent to the North Antelope/Rochelle Complex using the LBA process. In 1992 they were issued a maintenance lease for the North Antelope/Rochelle LBA Tract. In 1998 they were issued a maintenance lease for the Powder River LBA Tract. To process an LBA the BLM evaluates the quantity, quality, maximum economic recovery (MER) and fair market value (FMV) of the Federal coal and evaluates the environmental impacts of leasing and mining the Federal coal. A Federal coal lease provides the lessee the mining rights but does not authorize mining. The impacts of mining are considered in the environmental analysis because mining is a logical consequence of issuing a maintenance lease. The *South Powder River Basin Coal EIS* evaluates the impact of leasing five tracts of Federal coal, including the NARO South LBA Tract in the Powder River Basin, Wyoming (Attachment 1, Figure 1). The Office of Surface Mining Reclamation and Enforcement (OSM) is a cooperating agency on the EIS because OSM is the Federal agency that administers programs that regulate surface coal mining in accordance with the Surface Mining Control and Reclamation Act of 1977 (SMCRA). The U.S. Department of Agriculture, Forest Service (USDA-FS) is a cooperating agency on the EIS because three of five Federal coal tracts considered in the South Powder River Basin Coal EIS include portions of the Thunder Basin National Grassland administered by the USDA-FS. The NARO South LBA Tract does not include any lands administered by the USDA-FS.

By law and regulation the LBA process is an open, public, and competitive leasing process and bidding is not restricted to the applicant. The NARO South LBA Tract is contiguous with both the North Antelope/Rochelle Complex and the Antelope Mine. Powder River Coal Company applied for the tract as a maintenance tract for the North Antelope/Rochelle Complex. In the *South Powder River Basin Coal EIS* the alternatives analyzed in detail assume that the applicant will be the successful bidder if a competitive sale is held. It would also be possible for the Antelope Mine to mine the tract as a maintenance lease.

Recent Coal Leasing Activity in the Wyoming Powder River Basin

Since decertification of the Powder River Federal Coal Region in 1990, eleven Federal coal leases in Campbell and Converse Counties, Wyoming, have been sold at competitive sealed-bid sales using the LBA process. These leases include approximately 27,457 acres and 3.18 billion tons of mineable coal. Ten of the new leases were issued to the following existing mines for the purpose of extending operations at those mines: Jacobs Ranch (2), Black Thunder (2), North Antelope/Rochelle (2), Eagle Butte (1), Antelope (2), and North Rochelle (1). In 1992 the West Rocky Butte Tract adjacent to the existing Rocky Butte lease was leased to the Northwestern Resources Company who planned to start a new mine. Caballo Coal Company, a subsidiary of Peabody Holding Company, Inc. and operator of the adjacent Caballo Mine, now holds both of the Rocky Butte leases.

In 1974, 1979, and 1981 the BLM prepared three regional EISs analyzing the impacts of surface coal mining in the Wyoming portion of the Powder River Basin. In 1984 a fourth regional EIS was prepared and issued in draft form, but it was not made final and the proposed actions were never implemented. The North Antelope Mine and Rochelle Mine, which now comprise the North Antelope/Rochelle Complex, were included in the impact analyses in all four of the BLM's regional EISs. All of the mines in operation in the Wyoming portion of the Powder River Basin, as well as a mine proposed on the original Rocky Butte lease and a mine proposed for the terminated Keeline lease, are included in the 1981 and 1984 EIS analyses. To evaluate the impacts of leasing tracts of Federal coal in the Powder River Basin in Wyoming the BLM has prepared six environmental assessments (EAs) and six EISs, including the *South Powder River Basin Coal EIS*, since the 1990 decertification of the Powder River Federal Coal Production Region. A seventh EIS evaluating the impacts of leasing the West Hay Creek LBA Tract was released in draft in early 2003.

Pending Coal Leasing Applications and Other Proposed Projects In the Wyoming Powder River Basin

There are eight pending maintenance lease applications in the Wyoming portion of the Powder River Basin including the NARO South LBA Tract. The pending lease applications include a potential development of 2.2 billion tons of Federal in-place coal. In addition to the NARO South LBA Tract the pending applications and associated mines are: NARO North, North Antelope/Rochelle Complex; Little Thunder, Black Thunder Mine; West Roundup, North Rochelle Mine; West Hay Creek, Buckskin Mine; West Antelope, Antelope Mine; Maysdorf, Cordero-Rojo Mine; and West Extension, Eagle Butte Mine.

The Jacobs Ranch, Black Thunder, North Rochelle, North Antelope/Rochelle Complex, and Antelope Mines form an almost contiguous group of mines located in Campbell and Converse Counties, east and southeast of Wright, Wyoming (Attachment 1-Figure 1). Associated with this group of mines are pending applications to lease five maintenance tracts of Federal coal including the NARO South LBA Tract.

In addition to the ongoing coal leasing and mining and oil and gas leasing, coal bed natural gas (CBNG) wells have been drilled around and within this group of mines and CBNG resources are currently being recovered from areas held in Federal and private oil and gas leases in this area. Federal oil and gas lease ownership in the NARO South LBA Tract is described in Figure 3-15 and Table 3-10 of both the draft and final EIS documents. Table 3-10 was updated between the preparation of the draft and final documents to reflect changes in lease ownership. The Federal lessees, as well as private interest owners identified by Powder River Coal Company, were included on the mailing list for the South Powder River Basin Coal EIS; they were notified of the date and time of the scoping meeting that was held in October of 2001 and they received copies of the Draft and Final EIS documents. BLM did not receive any comments from potentially affected oil and gas lessees or royalty interest owners on the proposal to lease the Federal coal in

the NARO South LBA Tract.

There are currently no CBNG wells on the NARO South LBA Tract. As discussed in Section 4.1.2.1 of the FEIS, the BLM Wyoming Reservoir Management Group (WSO-RMG) prepared an analysis of CBNG resources for the *South Powder River Basin Coal EIS*. The WSO-RMG estimated that, as of 2000, the coal in the NARO South LBA Tract had a relatively low average CBNG content (four standard cubic feet per ton), which is probably related to the fact that the tract is located between existing mining operations at the North Antelope/Rochelle Complex and the coal outcrop.

If the oil and gas lessees determine that petroleum resources can be recovered economically from the NARO South LBA Tract, there are several mechanisms that can be used to facilitate recovery of these resources prior to mining if the Federal coal in the tract is leased now:

- BLM will attach a Multiple Mineral Development stipulation to the lease which states that BLM has the authority to withhold approval of coal mining operations that would interfere with the development of mineral leases issued prior to the coal lease (see Attachment 2(c)).
- BLM has a separate policy in place on CBNG-coal conflicts (BLM Instruction Memorandum No. 2003-253), which directs BLM decisionmakers to optimize the recovery of both resources and ensure that the public receives a reasonable return. This memorandum offers royalty incentives to CBNG operators to accelerate production in order to recover the natural gas while simultaneously allowing uninterrupted coal mining operations. In addition, this memorandum also states that it is the policy of the BLM to encourage oil and gas and coal companies to resolve conflicts between themselves; and when requested, the BLM will assist in facilitating agreements between the companies.

Mining of the NARO South LBA Tract cannot occur until the coal lessee has a permit to mine the tract approved by the Wyoming Department of Environmental Quality and a MLA mining plan approved by the Secretary of the Interior. Before the MLA mining plan can be approved, BLM must approve the Resource Recovery and Protection Plan (R2P2) for mining the tract. Prior to approving the R2P2, BLM can review the status of CBNG and conventional oil and gas development on the tract and the mining sequence proposed by the coal lessee. The permit approval process generally takes the coal lessee several years, during which time CBNG resources can be recovered.

- Prior to mining the Federal coal, the coal lessee can negotiate an agreement with owners and operators of existing facilities on the tract, including owners and operators of oil and gas well and pipeline facilities, regarding removal of those facilities prior to mining.

Other proposed developments in the Wyoming Powder River Basin that have advanced to the

planning and permitting stages and that could be completed in the foreseeable future include: a power plant (Two Elk Power Plant) proposed by the North American Power Group (NAPG); and a railroad line from the Powder River Basin to Minnesota proposed by Dakota, Minnesota, and Eastern Railroad (DM&E). Construction of the Two Elk Power Plant has been delayed while NAPG completes the process of getting all of the required permits approved. The Surface Transportation Board (STB) released the Final EIS for the proposed DM&E Powder River Basin Expansion Project on November 19, 2001. On January 30, 2002, the STB issued a Record of Decision for the DM&E project. As a result of lawsuits that were filed against the project several issues were remanded to the STB for further review and action. Prior to commencing any construction activities DM&E must obtain permits or approvals from other Federal agencies including the BLM, the USDA-FS and the Army Corps of Engineers (COE).

The proposed power plant and the DM&E railroad line and the ongoing and proposed CBNG operations are separate projects being developed independent of the issuance of the maintenance coal lease for the NARO South LBA Tract. If these other projects are developed as proposed, there would be some overlap in the impacts of constructing and operating those projects and, if it is leased, the environmental impacts of mining the tract. The cumulative effects of all of these projects (the Two Elk Power Plant, the DM&E railroad, the ongoing and future CBNG development and production, and the coal mining that would follow the leasing of NARO South LBA Tract and the other LBA tracts) are described in the *South Powder River Basin Coal EIS*. They were also described in the *Final Environmental Impact Statement and Proposed Plan Amendment for the Powder River Basin Oil and Gas Project* (BLM-WY 2003).

DECISION

The decision is to select Alternative 2 as modified. Under this modified alternative a lease for the NARO South LBA Tract, Federal coal tract WYW154001 would be issued to the successful qualified high bidder, if the highest bid received at a competitive lease sale meets or exceeds the fair market value (FMV) as determined by the BLM and if all other leasing requirements are met. The competitive lease sale will be held under the regulations found at 43 CFR Subpart 3422, Lease Sales. As described under Alternative 2 in the EIS, Federal coal tract WYW154001 includes 2,956.725 acres more or less; the land surface is privately owned. Powder River Coal Company estimates that this tract contains approximately 345 million tons of in-place Federal coal resources in Campbell and Converse Counties, Wyoming.

This decision is consistent with the *Approved Resource Management Plan for Public Lands Administered by the BLM Buffalo Field Office* (2001, amended 2003) and the *Platte River Resource Management Plan* (1985). I have incorporated by reference in this decision standard coal lease stipulations addressing compliance with basic requirements of the environmental statutes and have attached BLM special stipulations (Attachment 2). The U.S. Fish and Wildlife Service has provided written concurrence pursuant to section 7(a)(2) of the Endangered Species Act of 1973, as amended (Attachment 3).

In the event that the bid or bids submitted at the competitive lease sale of the NARO South LBA Tract do not meet or exceed the FMV as determined by the BLM, the BLM may schedule a follow-up sale. If needed, the BLM will consider additional re-offers.

The environmentally preferable alternatives are the No Action Alternative and Alternative 2, the selected alternative. If the application to lease the NARO South LBA Tract is rejected (Alternative 1-the No Action Alternative) by the BLM, coal removal and the associated disturbance would not occur on the tract at this time, but mining would not be precluded in the future. Rather than including it as a part of a new mining operation, it would be environmentally preferable to mine and reclaim the NARO South LBA Tract as a maintenance lease in a logical sequence with the ongoing mining and reclamation operations at an adjacent existing mine. Under Alternative 2, the Federal coal would be mined as part of an adjacent existing mine. This would be consistent with the analysis of the impacts described for Alternative 2 in the EIS.

REASONS FOR THE DECISION

The reasons for selecting Alternative 2 with modifications are as follows:

- The decision to offer 2,956.725 acres containing approximately 345 million tons of in-place Federal coal reserves, in response to the coal lease application received March 10, 2000, is in conformance with the BLM land use plans covering this area.
- The *South Powder River Basin Coal EIS* was prepared in response to applications BLM received to lease five tracts of Federal coal including the NARO South LBA Tract, to four existing mines in Wyoming. The environmental impacts of this decision were fully disclosed in that EIS. Public comment was addressed in the FEIS.
- The purpose of the North Antelope/Rochelle Complex application for the NARO South LBA Tract was to allow them access to a continuing supply of low sulphur compliance coal that would be sold to power plants for the purpose of generating power. Continued leasing of the low sulphur Powder River Basin coal enables coal-fired power plants to meet Clean Air Act requirements without constructing new power plants, revamping existing plants, or switching to other alternative fuels. Generally, the cost of construction of new power plants, retrofitting or revamping existing plants, or re-tooling and switching to other alternative fuels effect additional costs to energy customers.
- The LBA tract configuration in Alternative 2 optimizes the competitive nature of the NARO South LBA Tract. Offering the tract in this configuration allows potential mining by two different existing operations.

- The LBA tract configuration in Alternative 2 for the NARO South LBA Tract includes a small area of coal that could be bypassed in the future. This coal area by itself is too small to assure that it would be leased and mined at a later time.
- When an application to lease coal is submitted the BLM must decide whether to process the application and hold a competitive sealed-bid lease sale for the tract, or reject the lease application and not offer the tract for sale. Regardless of the decision, the BLM must notify the applicant in a timely fashion of its decision. The EIS provides the BLM with the information needed to meet its obligations to respond to an application in a timely fashion.
- A primary goal of the National Energy Policy is to add energy supplies from diverse sources including domestic oil, gas, and coal in addition to hydropower and nuclear power. The BLM recognizes that the continued extraction of coal is essential to meet the nation's future energy needs. As a result, private development of Federal coal reserves is integral to the BLM coal leasing programs under the authorities of the Mineral Leasing Act of 1920, the Federal Land Policy and Management Act of 1976 and the Federal Coal Leasing Amendments Act of 1976.
- The BLM coal leasing program encourages the development of domestic oil, gas, and coal reserves and reduction of the United States' dependence on foreign sources of energy. The leasing and subsequent mining of Federal coal reserves provides the United States, the State of Wyoming, and affected local counties with income in the form of lease bonus payments and lease royalty payments; and the public with a supply of cost-efficient, low sulphur coal for power generation. The alternative selected meets the goals of the National Energy Policy and achieves the objectives of the Federal coal leasing programs managed by the BLM. It is strongly supported by the Wyoming Governor and other state and local officials.

PUBLIC INVOLVEMENT

On September 12, 2000, the BLM published notice of the receipt of this lease application in the *Federal Register*. Copies of this notice were sent to voting and non-voting members of the Powder River Regional Coal Team (PRRCT), including the governors of Wyoming and Montana, the Northern Cheyenne Tribe and Crow Tribal Council, USDA-FS, OSM, U.S. Fish & Wildlife Service, U.S. National Park Service, U.S. Geological Survey, and others.

On October 25, 2001, the PRRCT reviewed coal lease application WYW154001 at a public meeting in Cheyenne, Wyoming. The PRRCT recommended that the BLM process the application. The BLM published its Notice of Intent to prepare an EIS and a Notice of Scoping in the *Federal Register* October 3, 2001, and in the *Gillette News-Record* on September 25, 2001, and October 3, 2001. Scoping notices were mailed to Federal, state and local government agencies, conservation

groups, commodity groups, and individuals who could be impacted by this lease application. The mailing list was jointly developed by BLM, USDA-FS, and the applicants, including the Powder River Coal Company, for the five LBA tracts considered in the *South Powder River Basin Coal EIS* analysis. On October 10, 2001, a public scoping meeting was held in Gillette, Wyoming.

The *Draft South Powder River Basin Coal EIS* was mailed to the public and other interested parties, in late January 2003. On February 7, 2003, the Environmental Protection Agency (EPA) published its Notice of Availability of the Draft EIS in the *Federal Register*. BLM published a Notice of Availability and Notice of Public Hearing in the *Federal Register* on February 20, 2003, and in the *Gillette News-Record* and *Douglas Budget* on February 5 and February 12, 2003. To solicit public comment on the Draft EIS, the proposed lease sale, and the FMV and MER of the Federal coal included in the five tracts under consideration, a formal public hearing was held on March 4, 2003, in Gillette, Wyoming. With the publication of the EPA's Notice of Availability in the *Federal Register*, the 60-day review and comment period on the Draft EIS started on February 7, 2003, and ended on April 11, 2003. The Final EIS was mailed to the public and other interested parties in December 2003. The BLM and EPA each published a Notice of Availability of the Final EIS in the *Federal Register* on December 24, 2003.

During the EIS scoping period the BLM received 12 written comments and one oral comment. It received 12 written comments on the Draft EIS. Four parties commented at the March 4, 2003, public hearing. Twenty written comments were received on the Final EIS. The comments made on the Draft EIS with BLM responses are included in the Final EIS. The written comments and the transcript of the formal hearing are on file at the BLM Casper Field Office and BLM Wyoming State Office, Cheyenne, Wyoming. All comments that were received during the EIS process were considered in the preparation in both the Draft and Final EISs, and in this Record of Decision.

ALTERNATIVES ANALYZED IN DETAIL

The EIS analyzed four alternatives in detail: the Proposed Action, Alternative 1 (No Action) and Alternatives 2 and 3. These alternatives are summarized below. A full description of each of the alternatives analyzed in detail may be found in Chapter 2 of the EIS.

Proposed Action: Hold a Competitive Sale of Federal Coal Lands as Applied For

The lands that were applied for in the NARO South LBA Tract would have been offered for lease at a competitive sale. Powder River Coal Company estimates that the tract as applied for included approximately 2,133.635 mineable acres containing approximately 241 million tons of in-place Federal coal (see Attachment 1-Figure 2a) and that approximately 200 million tons or 83 percent of that coal would be recoverable. This alternative assumed that the applicant would be the successful bidder on the NARO South LBA Tract and that the coal would be mined, processed and sold by the North Antelope/Rochelle Complex.

Alternative 1: No Action Alternative

The NARO South LBA Tract would be rejected and the tract would not be offered for sale at this time. If the NARO South application was rejected currently permitted mining activity at the adjacent North Antelope/Rochelle Complex and Antelope Mine would continue. Assuming this tract will never be leased and coal removal and the associated disturbance would never occur on the tract, this alternative is the environmentally preferable alternative. However, rejection of this application would not preclude subsequent lease applications for all, or part of, the lands included in this tract.

Alternative 2 (Selected Alternative): Hold a Competitive Sale for the Tract As Modified By the BLM to Increase Potential Competitive Interest In and Reduce the Potential for Bypass of Adjacent Unleased Federal Coal

In evaluating the NARO South LBA Tract, BLM identified a study area, shown in Attachment 1- Figure 2a and identified as “area added under Alternative 2,” which includes unleased Federal coal adjacent to the applied for tract that the BLM could add to the tract to either increase the potential for competitive interest in the tract, or to reduce the potential that some of the remaining unleased Federal coal would be bypassed in the future. Under this alternative the BLM would add a portion of the Alternative 2 study area to the NARO South LBA Tract. With its boundaries amended the NARO South LBA Tract will be offered for lease at a competitive sale. By amending the boundaries, the BLM has added about 823.09 acres to the NARO South LBA Tract (see Attachment 1-Figure 2b and Table 1).

Table 1: Description of lands to be offered for competitive sale under Alternative 2.

T. 41 N., R. 70 W., 6th P.M., Campbell and Converse Counties, Wyoming

Section 19: Lots 6 through 11, 12 (S½), 13 through 20;

Section 20: Lots 5 (S½), 6 (S½), 7 (S½), 8 (S½), 9 through 16;

Section 21: Lots 5 (S½), 12, and 13;

Section 28: Lots 3 through 6, and 11, NE¼ SW¼;

Section 29: Lots 1 through 12;

Section 30: Lots 5 through 12.

T. 41 N., R. 71 W., 6th P.M. Campbell County, Wyoming

Section 23: Lots 8 (S½) and 9;

Section 24: Lots 1, 5 (S½), 6 (S½), 7 (S½), 8 through 16;

Section 25: Lots 1 through 4, 9, 10, and 12 (N½).

The total surface area included in the tract as modified is 2,956.725 acres more or less. Powder River Coal Company estimates that the reconfigured tract includes an estimated 345 million tons of in-place coal, an estimated 297 million tons of minable coal, and approximately 270 million tons of coal that would be recoverable. The average coal recovery factor would be 78 percent

because some of the coal included in the tract has been determined to be unsuitable for mining due to the presence of the Burlington Northern-Santa Fe and Union Pacific (BNSF&UP) railroad right-of-way (ROW), and there are partially burned areas where the coal is not recoverable.

This Alternative assumes that the applicant will be the successful bidder and that the coal will be mined, processed and sold by the applicant's North Antelope/Rochelle Complex. The Antelope Mine could also effectively mine the tract as a maintenance lease. If Antelope Coal Company acquires it as a maintenance tract, the rate of coal production and mining sequence would probably change from what was analyzed in the EIS. Different equipment and facilities would be used and haul distances would be different, but the area of disturbance would be the same. The general impacts of mining the tract would be similar to the impacts that are estimated to occur if the original applicant acquires and mines it.

**Alternative 3: Hold a Competitive Sale of Federal Coal Lands as Modified by the BLM
To Increase Future Potential Competitive Interest In Adjacent Unleased Federal Coal**

Under this alternative the BLM considered removing about 726.75 acres from the western part of the NARO South LBA Tract as applied for. The coal that BLM considered removing from the tract could be combined with the unleased Federal coal between the reconfigured NARO South LBA Tract and the BNSF&UP railroad ROW to create a tract that could potentially have more competitive interest if leased in the future. Powder River Coal Company estimated that the resulting tract included approximately 1,406.89 mineable acres with approximately 141.4 million tons of in-place coal (see Attachment 1-Figure 2a). Approximately 128 million tons or 91 percent of that coal would be recoverable. This alternative also assumed that the applicant would be the successful bidder and that the coal would be mined, processed, and sold by the North Antelope/Rochelle Complex.

ALTERNATIVES CONSIDERED BUT NOT ANALYZED IN DETAIL

Further descriptions of these alternatives may be found in Chapter 2 of the Final EIS.

Alternative 4: As under the Proposed Action, BLM would hold a competitive coal lease sale for the tract as applied for and then issue a lease to the successful bidder. This alternative assumed that the applicant would not be the successful bidder, and that the Federal coal would be developed as a new stand-alone mine. BLM estimates that 500 to 600 million tons of coal would be needed to attract a buyer interested in constructing a new mine in the Wyoming Powder River Basin. This alternative was considered and eliminated from detailed study because the current economics of mining in the Powder River Federal Coal Region appear to make construction of a new mine economically unfeasible on a tract of Federal coal of this size.

Alternative 5: The BLM would have postponed a sale of the NARO South LBA Tract to potentially increase the benefits to the public if coal prices increase within the Powder River Basin or to allow recovery of additional CBNG resources in the tract prior to mining.

This alternative was not analyzed in detail because it would not produce significantly different impacts than other alternatives analyzed in detail. Royalty and tax payments are collected at the time the coal is sold. They increase as coal prices increase, which allows the United States to benefit if coal prices have increased by the time of mining. Moreover, recovery of a substantial portion of the CBNG resources on the tract would be anticipated after lease issuance because, as discussed in the Background section above, express terms of the proposed lease will protect the right of the holder of the first mineral lease issued for the tract to recover any commercial quantities of CBNG. BLM has a policy in place on CBNG-coal conflicts, which will allow the agency to offer the oil and gas lessee royalty reductions as incentives to accelerate production prior to the commencement of surface coal mining on the tract. The environmental impacts of mining the federal coal at a later time as part of an existing mine would be expected to be similar and about equal to the Proposed Action, Alternative 2, or Alternative 3. If a new mine start is required to recover the coal in this tract, the environmental impacts would be expected to be greater than if the tract is mined as an extension of an existing mine.

MITIGATION, COMPLIANCE AND MONITORING

If the NARO South LBA Tract is leased the lease will contain the standard coal lease stipulations. The attached BLM Special Stipulations (Attachment 2) regarding cultural resources, paleontological resources, threatened and endangered species, multiple mineral development of oil and gas or coal resources or both, resource recovery and protection, public land survey, and the railroad ROW will be added to the coal lease.

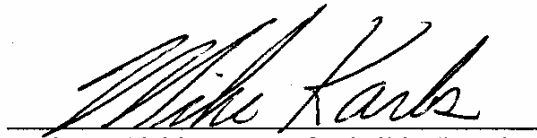
SMCRA gives the OSM authority to administer programs that regulate surface coal mining operations. The WDEQ regulates surface coal mining activities in Wyoming. If either the North Antelope/Rochelle Complex or the Antelope Mine is the successful, qualified high bidder on Federal coal tract WYW154001, a permit revision must be approved by the WDEQ/LQD and a MLA mining plan must be approved by the Secretary of the Interior before the coal can be mined. The existing mitigation measures specific to the currently approved mine plan for the adjacent mine will be revised to include mitigation measures specific to mining WYW154001 when the mining permit is amended.

If the successful, qualified high bidder does not operate an adjacent mine and proposes to construct and operate a new mine, then a new permit and a new mining plan must be prepared and approved before the coal can be mined. Before WYW154001 can be mined, mitigation measures and monitoring plans specific to a mining and reclamation plan must be attached to any revised existing or new mining and reclamation plan.

Prior to mining of the areas subject to the coal lease all practicable means to avoid or minimize environmental harm will be adopted as leasing stipulations or, as consistent with normal practices, can be expected to be adopted as conditions of the mining permit. To ensure that the revised plan is in compliance with the leasing stipulations, BLM has a responsibility to review the Resource Recovery and Protection Plan prior to approval of the mining plan. Before any mining of the NARO South LBA Tract can begin, the Resource Recovery and Protection Plan must be approved by the BLM, the permit, or permit revision, must be approved by WDEQ/LQD, and the MLA mining plan must be approved by the Assistant Secretary of the Interior.

RECOMMENDED ALTERNATIVE

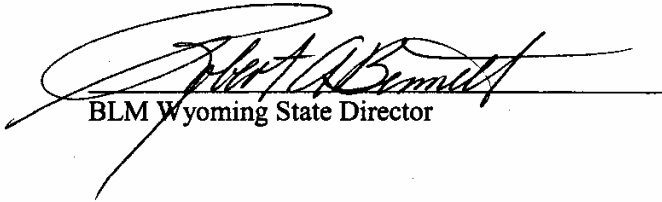
I recommend that, after a competitive lease sale, Federal coal tract WYW154001 and its associated 2,956.725 acres more or less, be issued to the successful, qualified high bidder provided it is determined that the highest bid meets, or exceeds, the FMV of the tract as determined by the BLM and that all other leasing requirements are met. This is Alternative 2 with the modified tract configuration described in this record of decision. The competitive lease sale will be held in accordance with the requirements at 43 CFR 3422. The lease will be subject to the attached BLM special lease stipulations (Attachment 2).


Assistant Field Manager for Solid Minerals,
Casper

4/20/2004
Date

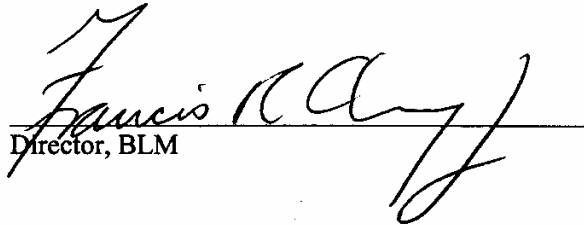
APPROVAL

I agree with the recommendation of the Assistant Field Manager for Solid Minerals, and I approve the decision to offer Federal coal tract WYW154001 for competitive lease sale.

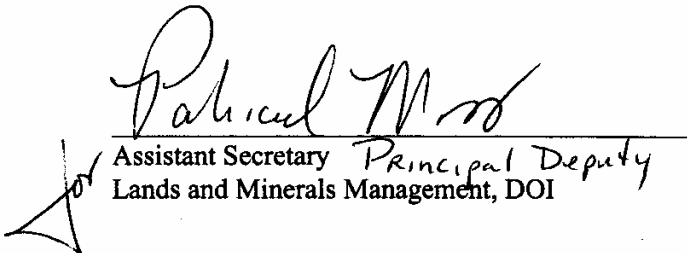

BLM Wyoming State Director

April 25, 2004
Date

Concur:


Director, BLM

5/5/04
Date


Assistant Secretary Principal Deputy
Lands and Minerals Management, DOI

05.06.04
Date

ATTACHMENTS

1. Figures 1. and 2.
2. BLM Special Coal Lease Stipulations
3. USFWS letter in response to BLM formal request for consultation under Endangered Special Act, Section 7.
4. Summary of comments received on the “South Powder River Basin Coal Final Environmental Impact Statement”
5. Comment letters that specifically reference the NARO South LBA Tract